

## **Reform of the Taxation of Owner-Occupied Residential Property – Preparing the Right Way**

«**A system change is not a single date – it is a process.**» The abolition of the imputed rental value (Eigenmietwert) represents one of the most significant tax policy reforms of the past decades. For owners of owner-occupied residential property, it marks the end of a long-established, yet often criticised, taxation model. What initially appears to be a simplification and tax relief reveals, upon closer examination, a complex structural shift with clear winners – and losers.

With the abolition of the imputed rental value, key deductions will disappear simultaneously. In particular, properties with high mortgage debt or significant renovation requirements may face considerable tax implications, as such properties will lose part of their tax attractiveness and existing financing and investment assumptions will need to be reassessed. The decisive factor is therefore not whether one is affected by the reform, but how well one prepares for it. The remaining time window until the end of 2027 is crucial. The reform is expected to enter into force no earlier than 2028; the final decision currently lies with the Federal Council.

### **Abolition of the Imputed Rental Value – Loss of Maintenance Deductions**

With the abolition of the imputed rental value, owner-occupied property will no longer be taxed as income. At the same time, various deductions for owner-occupied properties, including second homes, will no longer be permitted, in particular:

- Maintenance and repair costs
- Property management costs paid to third parties and insurance premiums
- Energy-efficient renovation and environmental measures (at least at the level of direct federal tax)

For rented or leased properties, maintenance costs will generally remain deductible. The reform therefore primarily affects owner-occupied real estate.

### **Significant Restriction of Mortgage Interest Deduction**

A key component of the new system is the limitation of mortgage interest deductibility. Private interest expenses will in future only be deductible on a proportional basis relative to taxable income derived from rented or leased properties compared to total assets. This calculation will follow the so-called “quota restrictive method”. In practice, this means:

- Where property is used exclusively for owner-occupation, mortgage interest will no longer be deductible
- High levels of mortgage debt will lose their previous tax efficiency
- The abolition of the imputed rental value does not automatically result in tax relief, as the restricted mortgage interest deduction may partially or fully offset this effect

For highly leveraged properties, early and careful planning is therefore essential.

### **Making Use of the Time Window Until the End of 2027**

The reform is expected to take effect no earlier than 2028. Until then, a limited window remains to implement tax-effective measures under the current regime. Particular focus should be placed on:

- The targeted use of existing deduction opportunities
- Reviewing financing and amortisation structures
- Timing larger maintenance and renovation projects appropriately

A coordinated approach can help prevent potential tax disadvantages under the new system.



## **Aligning Pension Planning, Wealth Structure and Real Estate**

During the transition phase, a holistic approach becomes increasingly important. Optimising pension arrangements through voluntary contributions to occupational pension schemes (Pillar 2) as well as supplementary payments into Pillar 3a can help manage tax exposure while strengthening long-term retirement planning. At the same time, reviewing the overall wealth structure is advisable. Investment solutions offering attractive return potential and aligned with the appropriate investment horizon may allow assets to be deployed more efficiently – particularly in light of declining tax benefits from debt financing.

The property itself should also form part of this integrated analysis. Investment decisions should not be driven solely by tax considerations but aligned with long-term use, property condition and sustainable value preservation. Renovations that were already planned in the medium term may be structured in a tax-efficient manner. Energy-related measures may, depending on cantonal practice, be implemented at a later stage. Targeted mortgage amortisation may also be appropriate, as the tax benefit of interest deductions will be significantly reduced.

## **Strategic Renovation Planning**

For owner-occupied property, maintenance and repair costs will generally no longer be deductible once the reform comes into effect. Forward-looking planning therefore becomes increasingly important. Key considerations include:

- Prioritising investments that were already planned
- Coordinating value-preserving measures before the end of 2027
- Clearly distinguishing between value-preserving and value-enhancing expenses
- Maintaining complete documentation for tax purposes

Properties with substantial renovation needs may offer meaningful planning flexibility. However, investment decisions should always be consistent with long-term strategy rather than driven solely by tax considerations.

## **Conclusion**

The reform of owner-occupied property taxation creates a transitional phase that should be used proactively. At the same time, every situation is unique. Employment income, financial and pension circumstances, personal objectives, the condition of the property, as well as considerations regarding retirement, affordability, financial planning and succession planning must be assessed comprehensively and aligned accordingly.

The tax return often serves as the starting point for broader strategic planning. Those who analyse their situation early and proceed in a structured manner can make use of existing opportunities and manage the transition to the new system with foresight.

### **Our Expertise**

Benefit from our extensive experience in the field of taxation and start the new year by placing your tax matters in professional hands. [Thomas Wenk](#), [Ulus Sert](#) and the entire team provide tailored advisory solutions to meet your individual needs. Please contact us for detailed information, professional support or a non-binding consultation.